



SURFACE TRANSPORTATION BOARD

[Docket No. MCF 21103]

Transdev Group, S.A.—Acquisition of Control—First Transit Topco, Inc.

AGENCY: Surface Transportation Board.

ACTION: Notice tentatively approving and authorizing finance transaction.

SUMMARY: Transdev Group, S.A. (Transdev), a noncarrier, its noncarrier subsidiary Transdev North America, Inc. (TNA), and TNA's carrier subsidiary Transdev Services, Inc. (TSI) (collectively, Applicants) have filed an application for TNA to acquire all voting securities of noncarrier First Transit Topco Inc. (Topco), and thereby acquire control of a Topco subsidiary, First Transit, Inc. (FT), an interstate passenger motor carrier, from Recess Holdco LLC, a noncarrier affiliate of FT. The Board is tentatively approving and authorizing this transaction. If no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by February 21, 2023. If any comments are filed, Applicants may file a reply by March 6, 2023. If no opposing comments are filed by February 21, 2023, this decision will be final on February 22, 2023.

ADDRESSES: Comments may be filed with the Board either via e-filing on the Board's website or mailing to the Board's offices. Comments may be e-filed at www.stb.gov/proceedings-actions/e-filing/other-filings/ and must reference Docket No. MCF 21103. Mailed comments may be sent to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, one copy of comments must be sent to Applicants' representative: Mark J. Andrews, Clark Hill PLC, 1001 Pennsylvania Avenue N.W., Suite 1300 South, Washington, DC 20004.

FOR FURTHER INFORMATION CONTACT: Jonathon Binet at (202) 245-0368. Assistance for the hearing impaired is available through the Federal Relay Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION: According to the application,¹ Transdev is under the majority ownership of Caisse des depots et consignations, a French public-sector financial institution, and the minority ownership of Rethmann Group, a family-owned German company.² (Appl. 6.) Transdev does not have interstate carrier authority. (*See id.* at 2 (stating that Transdev is a noncarrier).) Transdev controls TNA,³ a noncarrier that controls interstate motor carrier TSI and its two interstate motor carrier subsidiaries, Pittsburgh Transportation Group

¹ The application initially was filed on November 10, 2022. On December 6, 2022, Applicants filed a supplement to the application. Therefore, for purposes of determining the procedural schedule and statutory deadlines, the filing date of the application is December 6, 2022. *See* 49 CFR 1182.4(a).

² More information about Transdev's corporate structure and ownership can be found in the application and the supplement. (*See* Appl. 6; Suppl. Ex. A.)

³ TNA was formerly known as Veolia Transportation.

Charter Services and SFO Airporter, Inc.⁴ (*Id.* at 2, 4; Suppl. 4.) Applicants state that Transdev is generally engaged in providing contract-based passenger transportation services to transit authorities, other governmental agencies, corporations, educational institutions, and healthcare facilities wishing to outsource such transportation services. (Appl. 6; see also Suppl. Ex. C (identifying Transdev Clients, Locations, Equipment, and Employees.)) According to Applicants, TSI and its carrier affiliates perform a very small amount of charter work, representing less than .0054% of Transdev's total U.S. business, in San Marcos, Tex., San Jose, Cal., and Pittsburgh, Pa. (Suppl. 4-5.)

The application explains that under this transaction, all voting securities of Topco would be acquired by TNA, and Topco would become a direct subsidiary of TNA and an indirect subsidiary of Transdev. (Appl. 2, 6.) Topco, a noncarrier, is an intermediate parent company of FT,⁵ a passenger motor carrier that controls various noncarrier subsidiaries.^{6,7} (*Id.* at 2.) According to the application, FT and certain noncarrier FT affiliates (collectively, the FT entities) transport 300 million passengers annually to and from approximately 300 locations across North America, utilizing approximately 12,000 vehicles. (*Id.* at 5; see also Suppl. Ex. E, First Transit Customer Location and Fleet Report; *id.*, Ex. G, First Transit Employee Locations by State.) FT provides essential mobility services including fixed route bus services, paratransit, shuttle bus services, and vehicle maintenance services. (Appl. 4.) Applicants state that FT's contract customers include state and local transit agencies, as well as other governmental agencies, airports, and private institutions. (*Id.*; see also Suppl. Ex. E.) The application explains that FT holds operating authority from FMCSA because it occasionally conducts regulated interstate charter operations when its vehicles and drivers are not engaged in its primary business of contract transit services. (Appl. 4.) According to the application, FT also engages in regulated intrastate transportation in California, Rhode Island, and the Washington, D.C. metropolitan area. (*Id.* at 4-5.) TNA's acquisition of Topco's voting securities would make FT a direct subsidiary of TNA and an indirect subsidiary of Transdev. (*Id.* at 6.)

Under 49 U.S.C. 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least (1) the effect of the proposed transaction on the adequacy of transportation to the public, (2) the total fixed charges resulting from the proposed transaction, and (3) the interest of affected carrier employees. Applicants have submitted information required by 49 CFR 1182.2, including information demonstrating that the proposed transaction is consistent with the public interest under 49 U.S.C. 14303(b), see 49 CFR 1182.2(a)(7), and a jurisdictional statement under

⁴ Further information about these motor carriers, including U.S. Department of Transportation (USDOT) numbers, motor carrier numbers, and USDOT safety fitness ratings, can be found in the application. (See Appl. 4.)

⁵ Transdev also would acquire control of various noncarrier subsidiaries of FT. With respect to the acquisition of the non-regulated FT subsidiaries, the appropriate filing was made under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. 18a (HSR). (Appl. 3 n.2.) On December 12, 2022, Applicants filed a letter stating that the HSR 30-day period has expired without any action being taken and, accordingly, the HSR process has concluded.

⁶ The indirect beneficial owners of FT are EQT Infrastructure V Collect EUR SCSp and EQT Infrastructure V Collect USD SCSp (collectively, EQT). EQT's control of FT was approved by the Board in EQT Infrastructure V Collect EUR SCSp—Acquisition of Control—First Student, Inc., MCF 21093 (STB served May 21, 2021).

⁷ More information about Topco's corporate structure and ownership can be found in the application and the supplement. (See Appl. 2-3; Suppl. Ex. B.)

49 U.S.C. 14303(g) that the aggregate gross operating revenues of the involved carriers exceeded \$2 million during the 12-month period immediately preceding the filing of the application, see 49 CFR 1182.2(a)(5). (See Appl. 7-9; Suppl. 2-4.)

Applicants assert that the proposed transaction is not expected to have an adverse impact on the adequacy of transportation services available to the public. (Appl. 7-9; see also Suppl. 2-4.) Applicants state that there are a large number of charter bus service companies and that barriers to entry into the passenger motor carrier business are low, and therefore the transaction will not result in any meaningful reduction in competitive charter bus services. (Appl. 7-8 (citing All Aboard America! Holdings, Inc.—Acquis. of Control—Lux Bus America Co., MCF 21082 (STB served Sept. 21, 2018).) Regarding their contract services, Applicants claim that the contract-driven nature of the services involved here means that Applicants and FT will have every incentive to maintain and improve the adequacy of their services to the public. (Id. at 8.) According to Applicants, this is because contract renewals in this sector involve highly visible and intense negotiations among multiple bidders, governmental bodies, unions, political activists and other interested parties, and customers always have the option of taking such operations in-house. (Id. at 8.) Applicants claim that a May 2022 report by Kearney & Company shows that outsourced passenger transportation services contracts are highly contestable by firms of all sizes. (Id. at 8; see also Suppl. Ex. H, Kearney Report.) Applicants state the report shows that the four largest companies in this sector (National Express, MV, Transdev/Veolia, and First Transit) saw a significant decline of the contracts awarded from approximately 46 percent to 34 percent, while Transdev and First Transit’s combined shares fell from 31 percent to 20 percent. (Appl. 8.) At the same time, the market share of participants other than the four leading entities increased from 54 percent to 67 percent. (Id.) According to Applicants, this shows that the market would remain subject to intense competition even after the proposed transaction, requiring Applicants and FT to maintain high service levels to compete against a wide variety of providers. (Id.)

Applicants argue that, for the same reasons that the transaction will not have an adverse impact on the adequacy of transportation services available to the public, it will also not adversely affect competition. (Id. at 7-9; see also Suppl. 2-4.) For the charter services market, Applicants state that competitors could include virtually any regulated bus operator in the geographic area where the charter services are conducted. (Suppl. 7.) As to government contract operations, Applicants identify numerous competitors in that market. (See id. at 6-7.)

Applicants state that the proposed transaction will not increase fixed charges payable by FT. (Appl. 9.) Applicants explain that they intend to pay the purchase price with a combination of cash in hand and a portion of a revolving credit facility that has been in place for TNA and affiliates since 2019; FT will not be added as a co-obligor on the credit facility. (Id.; see also Suppl. Ex. I, Transdev Financing/“Fixed Charges.”) Applicants also represent that, given the longstanding shortage of qualified drivers and maintenance personnel, the transaction is highly unlikely to have adverse impacts on any employees or employment levels, with the possible exception of a handful of top management personnel. (Appl. 11; Suppl. 7.)

Based on Applicants’ representations, the Board finds that the acquisition as proposed in the application is consistent with the public interest and should be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application. See 49 CFR 1182.6. If no opposing comments are filed by expiration of the comment period, this notice will take effect automatically and will be the final Board action.

This action is categorically excluded from environmental review under 49 CFR 1105.6(c).

Board decisions and notices are available at www.stb.gov.

It is ordered:

1. The proposed transaction is approved and authorized, subject to the filing of opposing comments.
2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.
3. This notice will be effective February 22, 2023, unless opposing comments are filed by February 21, 2023. If any comments are filed, Applicant may file a reply by March 6, 2023.
4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue, S.E., Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue, N.W., Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue, S.E., Washington, DC 20590.

Decided: December 29, 2022.

By the Board, Board Members, Fuchs, Hedlund, Oberman, Primus, and Schultz.

Tammy Lowery,

Clearance Clerk.

[FR Doc. 2022-28607 Filed: 1/4/2023 8:45 am; Publication Date: 1/5/2023]